

Message Text

PAGE 01 WARSAW 02183 01 OF 02 090930 Z

10

ACTION AGR-20

INFO OCT-01 ADP-00 EUR-25 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 L-03

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 H-02 RSR-01 /160 W
----- 012298

R 090848 Z MAY 73

FM AMEMBASSY WARSAW
TO SECSTATE WASHDC 3823

C O N F I D E N T I A L SECTION 1 OF 2 WARSAW 2183

E. O. 11652: DECON 5/3/75

TAGS: EAGR, ETRD, PL

SUBJECT: GRAIN SITUATION AND OUTLOOK

PASS AGRICULTURE FOR FAS

SUMMARY (EXCLUDING CONTENTS PARA 9). GOP OFFICIALS INDICATED RELIEF ON BEING INFORMED THAT NEW CCC CREDIT LINE IS UNDER ACTIVE CONSIDERATION. CANADIAN TEAM LAST WEEK DISCUSSED NEW LONG-TERM GRAIN BILATERAL WITH POLES. NO DECISIONS ARE SAID TO HAVE BEEN MADE; SERIOUS NEGOTIATIONS THEREON WILL REPORTEDLY BE IN JUNE. POLISH LEADERS CONTINUE TO VOICE INTEREST IN FARM COMMODITY BILATERAL WITH U. S. AS WELL, AND SAID LAST WEEK AGAIN THAT USUAL U. S. AGRICULTURAL COMMODITY PROCUREMENTS COULD ALSO BE EXPECTED TO BE CONTINUED ON SAME BASIS AS IN PAST, I. E., MOSTLY FOR CCC CREDIT. GRAIN IMPORT REQUIREMENTS FOR FY74 CURRENTLY GUESSTIMATED AT 3.5 MILLION TONS MINIMUM (ALL QUANTITIES IN METRIC). REPORTED FY74 GOP GRAIN PURCHASES TODATE TOTAL NOT MORE THAN 300,000 TONS BUT SOVIET/ POLISH BILATERAL IS TANTAMOUNT TO PROCUREMENT, AND WE THINK RUSSIANS ARE OBLIGATED TO DELIVER AT LEAST 850,000 TONS. THIS INDICATES GOP COULD STILL HAVE TO PURCHASE AS MUCH AS 2,000,000 TONS ADDITIONAL FOR FY74. IN RECENT YEARS GOP HAS BOUGHT NO GRAIN FROM WEST PRIOR TO EARLY FALL. CURRENT WORLD SUPPLY SITUATION MIGHT, HOWEVER, NECESSITATE EARLIER
CONFIDENTIAL

PAGE 02 WARSAW 02183 01 OF 02 090930 Z

PROCUREMENT PROGRAM, POSSIBLY JUNE. SEE PARA 9 FOR COMMENTS AND RECOMMENDATIONS. STATISTICAL BACKUP FOR THIS CABLE TRANSMITTED IN PL3010 BY AIRPOUCH ON 5/7. END SUMMARY.

1. STATE CABLE 080162, PARA 3, MESSAGE PASSED TO APPROPRIATE FONTRADEMIN OFFICIALS BY AGATT. IMPRESSION OBTAINED BY HIM WAS ESSENTIALLY ONE OF RELIEF BY THEM THAT NEW LINE OF CCC CREDIT FOR SECOND HALF FY73 MIGHT BE APPROVED. REPORTS TO WARSAW OF POLISH EMBASSY, WASHINGTON AFTER RECENT VISITS WITH USDA ON MATTER, PROBABLY THOSE ON 4/19/73, HAD BEEN PESSIMISTIC ABOUT POSSIBILITIES OF NEW LINE.

2. ON CANADIAN MINISTER LAND (CWB) VISIT TO POLAND, HOWARD WILSON, CANADIAN EMBASSY, WARSAW ON 4/30 ADVISED THAT MISSION WAS GOOD WILL ONLY, SAYING ALSO THAT NO SPECIFICS WERE TALKED AND NO TRADES MADE. WHEN ASKED BY AGATT IF NEW LONG- TERM GRAIN BILATERAL WAS DISCUSSED, HE SAID NO, BUT NEXT DAY HE PHONED TRICK TO SAY THAT CWB DID WANT NEW AGREEMENT, AND SUBJECT HAD BEEN RE- VIEWED. HE MADE BIG POINT OF DENYING, HOWEVER, THAT THIS HAD BEEN MAJOR PURPOSE OF VISIT. GOP OFFICIALS, ACCORDING TO WILSON, WERE UNABLE TO INFORM MISSION AS TO POLAND' S GRAIN IMPORT NEEDS FOR FY74, BUT SAID THEY WOULD KNOW IN JUNE AT WHICH TIME TRADE DISCUSSIONS INCLUDING LONG- TERM AGREEMENT COULD BE UNDERTAKEN. NO COMPLAINTS WERE SAID TO HAVE BEEN MADE TO MISSION ABOUT CANADIAN GRAIN CREDIT TERMS AND NO OFFERS WERE MADE TO IMPROVE THEIR CREDIT PROGRAM. FONTRADEMIN OFFICIAL DECLINED COMMENT ON SUBSTANCE OF LANG VISIT DISCUSSIONS WHEN ASKED BY TRICK.

3. REGARDING LONG- TERM U. S. GOP BILATERAL, GOP POSITION CONVEYED RECENTLY HAS BEEN ONE OF MORE THAN PASSING INTEREST, BUT NO URGENCY IS BEING ATTACHED TO MATTER. WE ASSUME THAT THEY ARE STILL THINKING TERMS OF THEIR OFFER WHICH WAS MADE DURING SECOND SESSION OF JOINT ECONOMIC COMMISSION IN NOVEMBER OF 1972 OF 3-5 YEAR AGREEMENT WHICH WOULD INCLUDE SIZABLE ANNUAL PURCHASE QUANTITIES OF GRAINS, COTTON AND SOYBEANS OR BY- PRODUCTS. OFFER WAS CONDITIONAL, HOWEVER, ON LOW INTEREST LONG- TERM CREDIT AND THEREFORE TO DATE REFLECTS CONCESSIONAL PURCHASE MOTIVATION ONLY.

4. USUAL U. S. FARM PRODUCT IMPORTS BY POLAND WILL CONTINUE IN CONFIDENTIAL

PAGE 03 WARSAW 02183 01 OF 02 090930 Z

IMMEDIATE YEARS AHEAD AT LEAST, ACCORDING TO GOP LEADERS, THIS WAS REAFFIRMED AT HIGHEST LEVEL, AS RECENTLY AS CODEL VISIT OF SENATE COMMERCE COMMITTEE LAST WEEK, BUT CCC CREDIT AVAILABILITY FOR LARGE PORTION OF SUCH PURCHASES WAS ALSO INDICATED NECESSARY. IT WAS MENTIONED AT DIFFERENT TIMES DURING CODEL' S STAY BY EDWARD GIEREK, PARTY FIRST SECRETARY, HENRYK KISIEL, PLANNING COMMISSION DEPUTY CHAIRMAN AND TADEUSZ OLECHOWSKI, MINFONTRADE. COMMODITIES MENTIONED INCLUDED FEED GRAINS SOYBEANS AND MEAL, COTTON, VEGETABLE OILS AND TOBACCO. EXCEPT IN CASE OF KISIEL THIS WAS NOT MENTIONED BY THEM IN SPECIFIC CONTEXT OF A LONG TERM AGREEMENT, BUT BILATERAL MAY HAVE BEEN INVOLVED. KISIEL INDICATED TO AGATT THAT GOP WAS CONSIDERING INCLUDING U. S. GRAIN BILATERAL IN NEXT FIVE YEAR PLAN WHICH COMMENCES IN 1976.

5. ON GOP GRAIN IMPORT REQUIREMENTS FOR FY74, NOTHING DEFINITE IS KNOWN. NUCROPS LOOK QUITE SATISFACTORY TO DATE. WE ARE CURRENTLY PREDICTING ANOTHER RECORD YEAR, BUT ONLY SLIGHTLY ABOVE LAST YEAR. SOIL MOISTURE RESERVES ARE INADEQUATE IN CERTAIN MAJOR PRODUCING AREAS, MEANING THAT TIMELY RAINS ARE NEEDED, BUT MAY/ JUNE PRECIPITATION IS USUALLY AMPLE. POSSIBILITY EXISTS OF BUMPER CROPS, BUT 17 PERCENT INCREASE ABOVE PREVIOUS RECORD OUTPUT OF 1972 WOULD BE NECESSARY TO INSURE SUFFICIENT DOMESTIC FEED GRAIN SUPPLIES. SEVEN PERCENT IS LARGEST OUTPUT INCREMENT OBTAINED IN SINGLE YEAR ABOVE PREVIOUS RECORD AND AVERAGE YEARLY INCREASE SINCE 1960 WAS ONLY 3.5. BASIS CURRENT TOTAL GRAIN OUTPUT OUTLOOK OF 20.7 MILLION TONS, AGATT GUESSTIMATING GOP WILL NEED TO IMPORT NOT LESS THAN 3.5 MILLION OTONS OF WHICH 800,000 TO 1 MILLION WOULD BE BREAD AND DURUM WHEATS AND REMAINDER LEAST COST GRAIN FOR FEED, PROBABLY BARLEY AND CORN BUT COULD INCLUDE FEED WHEAT. ABOVE ESTIMATE ASSUMES CONTINUATION OF INCREASED LIVESTOCK PRODUCTION TREND; FURTHER IMPLEMENTATION OF 1971-73 GRAIN IMPORT POLICIES OF HOLDING QUANTITIES DOWN BUT NEVERTHELESS IMPORTING MINIMUM REQUIREMENT, AND AVAILABILITY OF FOREIGN GRAIN SUPPLIES FROM USSR AND/ OR WEST ON CURRENT INTERMEDIATE CREDIT BASIS. GOP CARRYOVER STOCKS INTO FY74 ARE THOUGHT TO BE DANGEROUSLY LOW, AND IMPORTS OF 3.5 MILLION TONS WOULD STILL MEAN THEORETICAL CARRYOVER OF ONLY AROUND 200,000 TONS AT END OF FY74. HIGH WORLD GRAIN PRICES AND THE NEED IN FY73 TO IMPORT LARGER QUANTITY THAN USUAL FROM WEST APPEARS TO HAVE FORCED

CONFIDENTIAL

PAGE 04 WARSAW 02183 01 OF 02 090930 Z

CURTAILMENT OF IMPORTS AND RELIANCE UPON STOCKS.
DAVIES

CONFIDENTIAL
NMAFVVZCZADP000

PAGE 01 WARSAW 02183 02 OF 02 091056 Z

11
ACTION AGR-20

INFO OCT-01 EUR-25 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 L-03

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 H-02 RSR-01 /160 W
----- 013039

R 090848 Z MAY 73
FM AMEMBASSY WARSAW
TO SECSTATE WASHDC 3824

CONFIDENTIAL SECTION 2 OF 2 WARSAW 2183

6. POLISH IMPORT COMMITMENTS TO DATE FOR GRAIN FOR FY74 ARE RELATIVELY SMALL, INsofar AS CAN BE DETERMINED. TOTAL FY71 AND 72 IMPORTS WERE OFFICIALLY REPORTED AT 2.8 AND 3.3 MILLION TONS. AGATT ESTIMATE FOR FY73 IS NOT LESS THAN 2.7, PROBABLY CLOSER TO 3.0, BUT GOP ADMITS TO NO MORE THAN 2.2 MILLIONS. USUALLY WELL INFORMED SOURCES REPORT FY74 PURCHASE OF ONLY BARLEY AND CORN FOR JULY/ AUGUST SHIPMENTS. QUANTITY PROBABLY DOES NOT EXCEED TOTAL OF 300,000 TONS OF WHICH NOT MORE THAN 100,000 IS U. S. CORN AND 200,000 BARLEY, ANDY ORIGIN (FRENCH). POLISH/ SOVIET GRAIN BILATERAL DOES NOT PROVIDE QUANTITY GUARANTEE, BUT BOTH PARTIES CONSIDER THAT THE AGREEMENT MANDATES ANNUAL DELIVERIES BY SOVIETS, MAINLY HARD WHEATS. AGATT OPINION OF ABSOLUTE MINIMUM GUARANTEE IS CURRENT FY LEVEL OF 850,000 TONS, I. E., CEREAL GRAIN NEEDS. SOVIET SHIPMENTS IN FY70, 71, 72 AND 73 ARE ESTIMATED AT FOLLOWING RESPECTIVE LEVELS IN MILLIONS OF TONS: 1.1, 2.1, 1.3 AND .9. BASIS STATE CABLE 08016 2 AND EARLIER STATMENTS OF GOP OFFICIALS, U. S. HARD WHEAT HAS BEEN OR WILL BE PURCHASED FOR FY74. REF CABLE INDICATION OF \$5 MILLIONS FOR WHEAT INFERS NOT MORE THAN 75,000 TONS. THIS, INCIDENTALLY, COULD HAVE BEEN WHEAT BOUGHT FOR FY73 BUT DEFERRED TO NUCROP SHIPMENT.

7. UNCOMMITTED PURCHASE REQUIREMENT FOR FY74 OF AT LEAST 2 MILLION TONS ADDITIONAL IS INDICATED, IF ABOVE ASSES-
CONFIDENTIAL

PAGE 02 WARSAW 02183 02 OF 02 091056 Z

MENT OF NEEDS AND ADVANCE PROCUREMENTS IS CORRECT. SUCH QUANTITY WILL BE PRIMARILY GRAIN FOR FEED. ABOVE UNPURCHASED QUANTITY ASSUMES THAT SOVIETS WILL ONLY FURNISH SAME QUANTITY (MAINLY WHEAT) AS IN FY73, BUT KEEP IN MIND THAT GOP WOULD PREFER FOR NUMBER OF MAINLY ECONOMIC REASONS TO BUY FROM SOVIETS RATHER THAN FROM WEST AND WILL ATTEMPT TO MAXIMIZE USSR PURCHASES. ONE OF GOP' S BIG PROBLEMS WITH USSR, WE UNDERSTAND, IS THAT SOVIETS HAVE NOT BEEN WILLING IN PAST TO MAKE QUANTITATIVE COMMITMENTS FOR CURRENT FY BEFORE LATE NOVEMBER OR DECEMBER.

8. PROCUREMENT TIMING THIS YEAR IS ALSO BEING COMPLICATED BY OTHER FACTORS. IDEALLY, GOP WOULD PREFER TO WAIT UNTIL DOMESTIC CROP, WOULD SUPPLY AND SOVIET DELIVERIES ARE FINITE VAULES. UNDER GOMULKA IN LATE 1960' S WE UNDERSTAND THAT

THIS WAS CASE. UNTIL 1973 NO SIZABLE FIMR QUANTITATIVE COMMITMENTS HAVE EVER TO OUR KNOWLEDGE BEEN MADE BEFORE START OF NEW FY. NOW DEAD CANADIAN AND FRENCH BILATERALS INCLUDED TARGET FIGURES, NOT CONTRACTUAL QUANTITIES. IN FY71 AND 72, PURCHASE DECISIONS AND ACTUAL CONTRACTING OF LARGE PORTIONS OF POLAND' S GRAIN NEEDS FROM WESTERN SUPPLIERS WERE MADE EARLY IN FALL OF CURRENT FY. SITUATION THIS YEAR IS EVEN MORE DIFFICULT DUE POS-

SIBLE REDUCED WORLD GRAIN AVAILABILITIES AND UNKNOWN SHIP-
PING CAPACITIES. GOP PLANNERS ALSO FULLY AWARE THAT FUR-
THER NEEDED PROGRESS IN LIVESTOCK SECTOR DEPENDS UPON
ADEQUATE GRAIN SUPPLY BASE WHICH THEY HAVE NOT
BEEN ABLE PRODUCE THEMSELVES.

9. COMMENTS AND RECOMMENDATIONS. A. FROM OUR APPRAISAL OF POS-
SIBILITIES OF LONG TERM BILATERAL GRAIN AGREEMENT SUBJECT,
GOP APPEARS SUFFICIENTLY CONCERNED AT PRESENT
ABOUT NEW WORLD GRAIN SUPPLY OUTLOOK TO WANT TO BACKSTOP
A PORTION OF POLAND' S ANNUAL GRAIN IMPORT REQUIREMENTS FROM
WEST WITH BILATERALLY AGREED SUPPLY GUARANTEES. THERE IS
GOOD LIKELIHOOD IN OUR OPINION THAT SOVIETS HAVE TOLD POLISH
GOVERNMENT THAT THEY WILL NOT BE ABLE TO SUPPLY GOP' S FUTURE
FEED GRAIN IMPORT NEEDS. POLISH/ USSR BILATERAL MAY IN FACT
ONLY PERTAIN TO FOOD GRAINS. IT APPEARS HIGHLY UNLIKELY
THAT GOP COULD OR WOULD OFFER TO NEGOTIATE WITH ONLY USG
OR GOC FOR NUMBER OF REASONS. FRANCE AT LEAST OF EC COUN-
CONFIDENTIAL

PAGE 03 WARSAW 02183 02 OF 02 091056 Z

TRIES, WOULD PROBABLY ALSO BE GIVEN CHANCE OF NEW AGREEMENT.
B. TYPE OF FRAME ARRANGEMENT WHICH GOP WILL SEEK IN OUR VIEW
WILL INCLUDE: (A) FIRM COMMITMENT OF SELLING COUNTRY TO
DELIVER A SPECIFIED MINIMUM ANNUAL QUANTITY; (B) NO FIRM
BINDING ON GOP TO IMPORT SUCH DELIVERY QUANTITY (AS IS
USUAL CASE WITH NON- COMMUNIST BILATERALS); (C) CREDIT PAY-
MENT TERMS; AND (D) AGREEMENT PERIOD MINIMUM OF 2 YEARS AND
MAXIMUM OF 5. GOP CAN BE EXPECTED TO PLAY OFF RESPECTIVE
PARTIES TO THESE BILATERALS AGAINST EACH OTHER IN EFFORT
TO OBTAIN BEST CREDIT TERMS. IT IS POSSIBLE DUE TO ANTI-
CIPATED AVAILABILITY OR SHIPMENT PROBLEMS THAT GOP
MAY EVEN BE WILLING FOR FIRST TIME ACTUALLY TO CONTRACT
PART OF THEIR FY74 WESTERN GRAIN NEEDS IN NEAR FUTURE.
JUNE PERIOD GIVEN TO CANADIANS PROBABLY STEMMED FROM FACT
THAT THIS IS EARLIEST THAT WORLD GRAIN SUPPLY SITUATION
CAN BE APPRAISED WITH ANY ACCURACY. BY THEN POLISH CROPS
WILL ALSO BE LARGELY MADE, EXCEPT FOR POSSIBLE HARVEST LOS-
SES.

C. BASIS ABOVE, OUR RECOMMENDATION, IF AS WE EXPECT USG IS
NOT READY TO TALK SERIOUSLY ON BILATERAL QUESTION, IS (A)
SIMPLY TO REAFFIRM USG GENERAL INTEREST IN AN AGREEMENT (A S-
SUMING THAT THIS IS CASE OF COURSE); (B) TO INDICATE DESIRE
EXPORT AND ANTICIPATED CAPABILITY OF U. S. TO BE FULLY COM-
PETITIVE; AND (C) TO POSTPONE SUBSTANTIVE TALKS UNTIL SUCH
TIME AS GOP DESIRES BUT NOT EARLIER THAN SOMETIME IN JUNE.

D. IN OUR OPINION, LONG TERM BILATERALS OF ABOVE FRAME TYPE,
WHICH WOULD BE SIMILAR TO PAST POLISH AGREEMENTS WITH CANADA AND
FRANCE, WOULD NOT RESULT IN ANY MAJOR CHANGE IN CURRENT COM-
PETITIVE STATUS QUO FOR FUTURE GRAIN SALES TO THIS COUNTRY
BY U. S. OR OTHER COUNTRIES. IT WOULD OF COURSE BENEFIT POLAND
BY INSURING NEEDED GRAIN SUPPLY ON MOST ADVANTAGEOUS CREDIT
BASIS. TIGHTER AGREEMENT WOULD BE REQUIRED TO GUARANTEE SALES

WARD U. S. EXPORTERS (BY COMMODITY) SALES, INCLDING PRO-

TECTING USUAL COMMODITY EXPORTS NOT COVERED BY BILATERAL.
E. IN VIEW OF PROBABLY ATTEMPT BY GOP TO USE BILATERAL APPROACH
AS BARGAINING TOOL WITH MAJOR GRAIN EXPORTING COUNTRIES, WE
SUGGEST WASHINGTON CONSIDER ATTEMPTING TO OBTAIN INFORMAL
AGREEMENT AMONG OTHER INVOLVED SHIPPING NATIONS AS TO PRO-
VISIONS ANY SUCH BILATERAL COULD CONTAIN, IF AS WE ASSUME
CONFIDENTIAL

PAGE 04 WARSAW 02183 02 OF 02 091056 Z

IS THE CASE, NO MULTLLATERAL APPROACH IS NOW POSSIBLE.
F. BASIS PAST INSTRUCTIONS, THIS EMBASSY HAS NOT INVOLVED ITSELF
IN THIS BILATERAL AGREEMENT MATTER, EXCEPT FOR REQUESTED
LIAISON AND REPORTING. WE UNDERSTAND THAT CURRENT U. S. AND
WOULD AGRICULTURE SITUATION IS SUCH THAT FULL INITIATIVE
MUST REMAIN WITH WASHINGTON. WE WOULD APPRECIATE BEING KEPT AS
INFORMED AS POSSIBLE. POST WILL CONTINUE TO REPORT ROUTINELY IM-
PORTANT INFORMATION OBTAINED ON MATTER.
DAVIES

CONFIDENTIAL

NMAFVVZCZ

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 10 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 09 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973WARSAW02183
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: WARSAW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730560/abqcelqu.tel
Line Count: 293
Locator: TEXT ON-LINE
Office: ACTION AGRE
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 20 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20-Sep-2001 by freemaal>; APPROVED <02-Nov-2001 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> mcm 980121
Subject: GRAIN SITUATION AND OUTLOOK
TAGS: EAGR, ETRD, PL
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005